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SOUTHCOM ALSO FOR POLAD

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [BB](#) [XL](#)

SUBJECT: BARBADOS BUSINESS CLIMATE ON EVE OF ELECTIONS

[1](#)1. (SBU) SUMMARY: With Barbados' elections slated for January 15, pundits have been speculating the post-election business climate. Many have settled on a wait-and-see approach as they claim that the economic climate will only take shape after the election results are known. Others predict that whereas the ruling party victory will likely maintain its outward focus on regional economic integration and growth, the opposition will likely shift inward toward a more domestic-focused economic model. Regardless of the victor, there will be significant pressure to address the rising cost of living in Barbados, which appears to be the most debated issue so far. End summary.

Campaign issues

[1](#)2. (U) Economic issues, particularly government spending and cost of living, have been a major focus in the current electoral campaign. The Opposition Democratic Labour Party (DLP) has sought to highlight cost overruns by the incumbent Barbados Labour Party (BLP) administration. On the other hand, the BLP has sought to focus on their strong, 14-year economic track record, as well as the ill-fated 1991-1994 DLP administration that introduced structural adjustment policies.

Budgetary Predictions

[1](#)3. (SBU) The Government Fiscal Year begins on April 1, with the budget usually debated in March. With elections only two months before, there are concerns that the ruling party would be unable to make drastic changes to fiscal spending. However, a leading journalist told PolOff that the DLP may use this opportunity to set its policies and reveal new legislation during its first year in office.

[1](#)4. (SBU) One renowned Barbadian business journalist told PolOff that, if the BLP administration returns to office, current capital projects should continue. However, he believes that it is highly likely that this will be done with budgetary belt-tightening.

[1](#)5. (SBU) The DLP has promised a complete audit of government projects if they win the elections. However, as pointed out by the journalist, this might lead to the cutback or closure of some projects and a rise in unemployment, resulting in decreased demand and a rise in price control measures. Senior business officials are concerned that current spending will not be maintained, resulting in budgetary controls to both public and private spending, as well as revised taxes and tariffs, if the opposition DLP takes power.

Employers Fearful

[1](#)6. (SBU) A senior official of the Employers' Confederation told PolOff his fears that the state of business will become more difficult for employers, regardless of who wins the election. The

Confederation sees the introduction of promised minimum wage legislation by both Parties and the increased power wielded by the labor unions as detrimental to employers' rights in the coming months.

Ruling Party on Defense

[¶7](#). (SBU) COMMENT: The short time frame between the elections and the budget debate will most likely result in insignificant change to current economic policies should the ruling party win the elections.

However, pressure from the opposition has placed the ruling party in a position where it will have to defend its current spending habits and regional-focused economic policies. Constituents for both parties have made it clear that the rising cost of living is becoming a strain on households and that tangible improvement of this situation should be the first order of business for whichever party is elected. END COMMENT.

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